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SUBJECT: NEW ZEALAND'S POSITION ON "SOLIDARITY TAX" FOR DEVELOPMENT

REF: STATE 60006

Based on conversations May 26 with officials in the New Zealand Ministry of Transport and the Inland Revenue Department, the following responses are provided to the questions in reftel, Paragraph 8:

1. The New Zealand government does not levy any taxes on airline tickets and is not considering any such taxes. (International air travelers must pay a departure fee, but that charge is not a tax and is assessed by New Zealand's international airports, which are privately owned. The government recovers its cost for aviation security through charges assessed on airlines.)

2. There is no precedence in New Zealand for tax streams from one specific sector being used to fund development or other projects.

3. Tourism taxes are not used to fund general revenues. New Zealand also does not use dedicated taxes to fund tourism. Tourism promotion is funded out of general revenues.

4. Post has not been able to determine whether the New Zealand government would modify its official development assistance if an airline ticket tax were implemented. However, the government would be expected to oppose the French proposal to tax airline tickets to benefit development. The Ministry of Transport sees the proposal as counter to ICAO Council policy on taxation, in that the tax would not go toward civil aviation purposes. The Ministry of Transport official noted that ICAO several years ago proposed a voluntary tax to be used to help undeveloped economies improve their civil aviation systems, but that ICAO members opposed the proposal. They questioned why travelers from developed countries should be assessed to fix civil aviation systems in undeveloped countries, arguing that there were more appropriate ways to secure funding, such as through the World Bank or through properly commercializing the undeveloped countries' aviation systems.

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